

Message Text

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S E C R E T STATE 110946

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E.O. 11652: GDS

TAGS: PFOR

SUBJECT: MORNING SUMMARY OF SIGNIFICANT REPORTS

1. OPEC, OIL PRICES, AND EXCESS PROFITS TAX

A. YAMANI VIEWS OPEC STRATEGY: THE SAUDI PETROLEUM MINISTER TOLD AMBASSADOR AKINS THAT IF OPEC RAISES PRICES AT THE JUNE MEETING IN QUITO, SAUDI ARABIA WILL WITHDRAW FROM ACTIVE PARTICIPATION IN OPEC, REDUCE POSTED PRICES, AND INCREASE PRODUCTION. YAMANI ADDED THAT THE PRODUCERS, LED BY IRAN, ARE DETERMINED TO IMPOSE A SURPLUS PROFITS TAX ON THE MAJORS, BUT HE FELT THAT HE COULD PREVENT THIS, PROVIDED CONSUMER GOVERNMENTS DON'T IMPOSE EXCESS PROFIT TAXES THEMSELVES. (STATE)

B. CAN SAG LOWER PRICES?: IN AN EFFORT TO BRING DOWN THE COST OF CRUDE, YAMANI PROPOSES TO AUCTION AS MUCH AS TWO MILLION BARRELS A DAY THIS JULY WHEN DEMAND IS LOWER- THIS COULD RESULT IN A NEW MARKET PRICE OF \$8 PER BARREL IF SAUDI PRODUCTION CAN BE SUFFICIENTLY BOOSTED. THE NEW
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PRICE WOULD REDUCE SOME OF THE OIL COMPANIES' EXCESS PRO-

FITS THAT OPEC IS EYEING. (STATE)

C. THE COMPANIES: MEETING IN LONDON, OFFICIALS OF FIVE
MAJOR OIL COMPANIES, THR US AND THR UK, EXPECTED OPEK, MEM-
MAJOR OIL COMPANIES, THE US, AND THE UK EXPECT OPEC MEM-
BERS TO INCREASE THEIR REVENUE BY TAXING THE COMPANIES'
"WINDFALL PROFITS," NOT BY INCREASING THE POSTED PRICE.
OIL EXECUTIVES, HOWEVER, FORESEE A DECLINE IN THESE PRO-
FITS DURING THE REMAINDER OF 1974, BECAUSE: (1) INVEN-
TORIES OF CHEAP, PRE-DECEMBER OIL WILL HAVE BEEN SOLD, AND
(2) GOVERNMENT OWNERSHIP OF MEANS OF PRODUCTION CONTINUES
TO INCREASE. THE EXECUTIVES FEEL THAT THE EXPECTED OPEC
TAX ACTION WILL RESULT IN HIGHER PRICES FOR WHICH OPEC
WILL BLAME THE MAJORS. (STATE) RUSH

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